

Message Text

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PAGE 01 ROME 09406 081631Z

70

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 STR-08 OIC-04 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-07 PA-04 RSC-01 AID-20

CIEP-02 SS-20 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03

OMB-01 SWF-02 FEA-02 FPC-01 IO-14 EA-11 DRC-01 /210 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 5808

INFO AMCONSUL MILAN

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E.O. 11652: N/A

TAGS: ETRD, GATT, IT

SUBJECT: MTN: PREPARATION OF PROTOTYPE SECTOR STUDY-ELECTRICAL
POWER GENERATING MACHINERY

REF: STATE 131800

1. EMBASSY AND CONGEN MILAN HAVE TOGETHER ASSEMBLED STATISTICAL DATA AND QUALITATIVE ASSESSMENT OF SUBJECT ITALIAN INDUSTRY IN RESPONSE TO REFTEL REQUEST. STATISTICAL DATA WAS OBTAINED BY CONGEN MILAN FROM ITALIAN INDUSTRY ASSOCIATION HEADQUARTERED IN MILAN (ANIE-NATIONAL ASSOCIATION OF ELECTRICAL AND ELECTRONIC INDUSTRIES) AND IS BEING REPEATED TO DEPT. BY SEPTTEL. QUALITATIVE ASSESSMENT FOLLOWS.

2. ROLE OF GOVERNMENT. A) EXTENT OF GOVERNMENT CONTROL OVER INDUSTRY ORGANIZATION-OUT OF 6 LARGE FIRMS IN SECTOR, ITALIAN GOVERNMENT CONTROLS TWO (ASGEN AND ITALTRAFO). THE SIX LARGE COMPANIES ARE RESPONSIBLE FOR 75-80 PERCENT OF TOTAL PRODUCTION IN TERMS OF VALUE, AND THE TWO GOVERNMENT FIRMS ABOUT 45 PERCENT.

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PAGE 02 ROME 09406 081631Z

ABOUT 50 PERCENT OF ALL EQUIPMENT MANUFACTURED IN ITALY IS UNDER

GE OR WESTINGHOUSE LICENSE, 40 PERCENT UNDER FOREIGN (NON-ITALIAN) LICENSE, AND ONLY 10 PERCENT UNDER ITALIAN LICENSE.

B) GOVERNMENT INVOLVEMENT IN PRODUCTION AND PURCHASING DECISIONS- AS ENEL, THE NATIONAL ELECTRIC POWER AGENCY, IS THE CUSTOMER FOR ABOUT 75 PERCENT OF THE GENERAL EQUIPMENT PRODUCTION OF THE SECTOR, THE UNDISTRY IS CERTAIN TO BE RESPONSIVE TO ITS NEEDS.

ADDITIONALLY, OTHER GOVERNMENT ENTITIES-PARTICULARLY STATE RAILWAYS AND MUNICIPALITIES-ARE OTHER IMPORTANT PURCHASERS. STATE SECTOR IS ALSO INFLUENTIAL PURCHASER OF LINE EQUIPMENT. FURTHERMORE, INVESTMENT DECISIONS RELATING TO PLANT EXPANSION OR NEW PRODUCTION FACILITIES OF THE SIX MAJOR PRODUCERS, GOVERNMENTAL AND PRIVATE, ARE SUBJECT TO GOVERNMENT APPROVAL.

C) GOVERNMENT POLICIES AFFECTING IMPORT/EXPORT OF EQUIPMENT, INCLUDING EXPORT FINANCING-ITALIAN LAW 639 PROVIDES REBATES OF TAXES ON EXPORTS OF MANUFACTURED IRON AND STEEL PRODUCTS. USG CONSIDERS SUCH TO BE A SUBSIDY AND HAS IN PAST LEVIED COUNTERVAILING DUTY ON ELECTRIC POWER EQUIPMENT. ITALIAN IMPORTS OF SUCH EQUIPMENT ACCOUNT FOR ONLY ABOUT 10 PERCENT OF OVERALL REQUIREMENTS. GOI HAS NO SPECIFIC RESTRICTIONS REGARDING IMPORT OF NEW EQUIPMENT, ALTHOUGH EXPERIENCE SHOWS THAT AWARDDING OF CONTRACT TO FOREIGN BIDDERS IS UNLIKELY. SUCH PROBABLY ACCOUNTS FOR THE STRONG REPRESENTATION IN ITALY THROUGH FOREIGN LICENSING. REXPORT FINANCING IS IN THEORY AVAILABLE TO ITALIAN MANUFACTURERS, BUT THE ACTUAL AMOUNT AVAILABLE IS EXTREMELY LIMITED; WHAT FINANCING IS AVAILABLE WOULD MOST LIKELY GO FOR SALES LDC'S AND COMMUNIST COUNTRIES.

. OTHER MAJOR DOMESTIC PURCHASERS AND THEIR PURCHASING POLICIES- NON-GOVERNMENT SECTOR REPRESENTS RELATIVELY INSIGNIFICANT ELEMENT IN GLOBAL INDUSTRY PICTURE, AND IS MAINLY REPRESENTED BY THE LARGE PRIVATE INDUSTRIAL FIRMS-E.G., FIAT, PIRELLI, S.I.R. THEY ARE LIKELY TO BE SOMEWHAT MORE OPEN TO FOREIGN PURCHASES THAN WOULD BE STATE SECTOR.

4. NON-TARIFF BARRIERS-NO RPT NO DOCUMENTED NTB'S, WITH EXCEPTION OF LAW 639 AND NOTED ABOVE. ENEL ALLEGES THAT ITS KNOWN PREFERENCE FOR ITALIAN PROCUREMENT IS BASED ON "COST FACTORS." WE SUSPECT, HOWEVER, THAT COST JUSTIFICATION FOLLOWS RATHER THAN PRECEDES DECISION. NO RPT NO TECHNICAL SPECIFICATIONS EXIST WHICH PRECLUDE IMPORT OF GENERATOR AND LINE LIMITED OFFICIAL USE

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PAGE 03 ROME 09406 081631Z

EQUIPMENT.

5. FOREIGN INVESTMENT PRACTICES OR RESTRICTIONS AFFECTING FLOW OF TRADE-WE ARE AWARE OF NO RPT NO RESTRICTIONS ON FOREIGN OWNERSHIP OR CAPITAL REPATRIATION. LICENSING REGULATIONS ARE SUCH AS TO FAVOR LICENSING OF FOREIGN PROCESSES AND EQUIPMENT. BEAUDRY.

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